GM RESOURCES LIMITED
THIRTIETH ANNUAL REPORT

for the year ended September 30, 1980

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Paul

FORMERLY GIANT MASCOT MINES LTD.
NAME CHANGED 1977
Giant mascot formed in 1966 as
AMALGAMATION OF:
CANAM COPPER CO LTD
LORADO URANIUM MINES LTD
Consolidated Mogul Mines LTD
GIANT MASCOT MINES Ltd.

INTERIM REPORT

for the three month period
ended December 31, 1980

GM RESOURCES LIMITED

REPORT OF THE PRESIDENT

It is worthy of note that the Company is making its Thirtieth Annual Report to its members with this issue and the Annual General Meeting to be held in Vancouver on March 30th, 1981.

In 1950 the Company was organized as the successor to Hedley Mascot Gold Mines Ltd. (N.P.L.) and Silver Giant Mines Limited (N.P.L.) both companies previously active in mineral exploration and production prior to 1950. After taking in the assets and shareholders of these older companies, we began our corporate life by operating a 550-ton lead-zinc property at Spillimacheen, and by the end of the first decade operating a 1500-ton nickel-copper property near Hope, B.C. Since those early days the Company has become a diversified resource development vehicle. While continuing to search for mineral properties (and we have both the Mascot Gold near Hedley, B.C. and the Giant Copper near Hope, B.C. under active exploration) we have participated in the growth of the petroleum industry in both Canada and the United States. At our 30th birthday we can report a solid asset base and growing potential.

SUMMARY

Since the commencement of the 1980 fiscal year, the Company has participated in drilling 64 wells of which 52 are considered successful; completed an equity offering that netted $7,832,649 after expenses; reorganized and arranged financing for its affiliated companies, Mascot Gold Mines Limited (61.7% equity interest)and Giant Explorations Limited (20.5% equity interest) thereby enhancing the Company's investment by way of market appreciation of these companies; increased its shareholdings in Piper Petroleums Ltd. (8.0% equity interest) and expanded its participation in the exploration for petroleum and natural gas. In addition, the Company increased its proved and probable reserves to 17.82 BCF of natural gas and 111,000 barrels of petroleum liquids and its gross lease holdings to 151,824 acres (24,760 net acres.)

The net earnings, after extraordinary items for the 1980 fiscal year were $159,465, as compared to $4,312,845 for the 1979 fiscal year. However, the two years are not truly comparable as in 1979 the Company was in receipt of income from the Production Interest which it sold in August, 1979 for an extraordinary gain. For the first quarter of 1981 the net earnings were $559,884 after including the extraordinary increase in equity value arising from the financing of its affiliated companies

PETROLEUM AND NATURAL GAS ACTIVITIES

At the calendar year end, December 31, 1980, which is also the end of the Company's first quarter for the 1981 fiscal year, the Company held various working interests in 151,824 acres (24,760 net acres) of leased petroleum and natural gas lands of which 74,329 (14,482 net) acres were in Canada and 77,495 (10,278 net) acres in the United States. This is an increase of 180.6% in gross acreage and 106.9% in net acreage since the 1979 calendar year end. Also as at December 31, 1980, the Company had estimated net proved and probable reserves on

these lands by way of other royalties of 17.82 BCF of gas and 111,000 barrels of petroleum liquids, as compared to 16.64 BCF and 3,270 barrels at the same date in 1979.

These net reserves and their post-Federal budget present worth are as follows:

NET RESERVES

	Gas (MMCF)	Liquids (Bbls)	Present Worth ($M) 10%	15%
Proved Reserves				
Canada	*16,053*	*101,000*	*28,703*	*20,118*
United States	*803*	*1,000*	*1,596*	*1,280*
Total	*16,856*	*102,000*	*30,299*	*21,398*
Probable Reserves				
Canada	*968*	*9,000*	*693*	*437*
United States	—	—	—	—
Total	968	9,000	693	437
Total Canadian and U.S.	17,824	111,000	30,992	21,835

Exploration and Development

The Company participated in drilling 64 exploration and development wells in Alberta, California, Israel, Texas and West Virginia between October 1, 1979 and the start of the 1980 fiscal year, and December 31, 1980, the end of the first quarter of the current fiscal year.

Forty-one wells were drilled in Alberta, of which four were exploration wells and 37 were development wells. Two of the exploration wells drilled near Irvine and the 37 fill-in wells in the Seven Persons gas field were completed in the Medicine Hat formation. The other two wells were dry and abandoned.

Twenty-two wells were drilled in the United States, of which three were located in California, eight in Texas and eleven in West Virginia. The California wells were part of a wildcat exploration program on a 21-prospect farmin of which only five prospects were tested before the full amount of the funds committed to the program by the farmee group were expended. One of the wildcat wells, the Sisquoc Ranch No. 1, Santa Barbara County, is being production tested for oil and the others were dry and abandoned. In Texas the Schroeder No. 1 well, Galveston County, and the Dornberg No. 1 well, Goliad County, have been completed as gas producers, the Mabel Jones Overton No. 1 well, Haskell County, is on stream as an oil producer and the Selected Lands No. 18/1 well, Grimes County, is being completed for oil in the Austin Chalk. All the lands on which the test wells were successful have potential for one or more development wells. The other four tests in Texas were dry and abandoned. The eleven wells drilled in West Virginia, of which eight were successful, completed the 20-well program commenced in 1979 that resulted in 15 productive gas wells. Twelve of the wells in the United States, including three in California, one in Texas and eight in West Virginia, were drilled or spudded in the first quarter of the 1980 fiscal year and, therefore, were referred to in the 1979 Annual Report. The test well on the Haluza prospect in Israel was dry and abandoned.

During the 1980 fiscal year the Company also participated in six seismic programs in Alberta, North Dakota and Israel. Of these, five in Alberta and North Dakota defined drillable features.

Since the commencement of the second quarter of the 1981 fiscal year, the Company has participated in eight wells that are drilling or testing. Of these, two are in Alberta, one in California and five in Texas.

Production

Since the last Annual Report dated January 31, 1980, 28 wells have been placed on production in Alberta, two in Texas and 15 in West Virginia. During the year the Company also purchased a producing oil well at Crossfields, Alberta.

At Seven Persons, Alberta, the gas production from the Medicine Hat formation has been increased with the addition of 28 development wells and will be further increased in March when the gathering system is completed, and the remaining 11 fill-in wells are put on stream. Production from the Bow Island formation became uneconomic during the year and two of the three Bow Island wells were reworked for Medicine Hat production. The third Bow Island well and two other low productivity wells a White Specks, and a Medicine Hat, were abandoned. In British Columbia, the Bernadette and Julienne gas wells showed little decline over the year. The Company's shut-in gas reserves at Elmworth, Alberta, are scheduled for production in the second quarter of the 1981 fiscal year and at Karr (Gold Creek), British Columbia, in the third quarter. However, no markets are anticipated in the near term for the Company's other shut-in gas at Gayford, Bassano, Irvine and Nig, or for the reserves it holds by way of its various interest in four Oakwood Limited Partnerships.

In Alberta, the Bow Rio oil well was shut-in because of the production of excess gas that could not be marketed, and in Texas the Engel No. 1 is being drilled to replace the Dunaway No. 1 well which was abandoned because of a production problem. The Horelica No. 1 well, Texas, was abandoned as non-commercial.

Giant Explorations Limited ('Giant') and Piper Petroleums Ltd. ('Piper')

Giant and Piper, both Vancouver Stock Exchange listed junior oil companies, in which the Company has a 20.48% and 8.02% share interest respectively, entered into an Amalgamation Agreement on October 27, 1980. On approval by the members of the two companies of the amalgamation which is also subject to confirmation by Court Order, and of course the satisfaction of any requirements of the securities regulatory bodies, Giant and Piper will cease to exist as separate entities and thenceforth continue as Giant Piper Explorations, Inc. ('Giant Piper'). The Company's equity interest in the amalgamated company will be 11.95%.

Extraordinary General Meetings of Giant and Piper to approve the Special Resolution in respect to amalgamation were convened on December 9, 1980, and overwhelming support was received for the amalgamation. However, on the advice of counsel, it was determined that it would be preferable to defer approval at that time to permit filing with the Securities and Exchange Commission of a Form S-14 Registration in view of the large number of American residents who would be entitled to become members of Giant Piper on the amalgamation becoming effective.

The weighted market value ratio for the trading period August 22nd to September 19th, 1980, for which Giant was $1.69 per share and for Piper $5.55, was used to arrive at the share exchange ratio of 10 shares of Giant for three shares of Giant Piper and one share of Piper for one share of Giant Piper.

Collectively, the two companies and their American subsidiaries presently have a monthly revenue of over $100,000 from producing wells in Louisiana, Texas and Saskatchewan. They also have various before payout working interests in four wells and after payout working interests in six wells that are on production or will be on production shortly. In addition, by way of a supplementary agreement with Chapman Oil Company ('Chapman') that will become effective on amalgamation, Giant Piper will have 40% of Chapman's retained interest in any petroleum and/or natural gas prospects acquired and tested by Chapman until June 30, 1984, or the first business day following 20 consecutive days during which the bid price for Giant Piper shares on the Vancouver Stock Exchange has not been less than $20 per share. In addition, Giant Piper will have the right and option to participate or broker a one-third working interest reverting to a one-quarter interest after payout in each exploration prospect that Chapman acquires during the currency of the supplementary agreement. Such right and option is exercisable for 30 days after the receipt from Chapman of information on each prospect.

The Company, as a result of the corporate reorganization and refinancing of Giant In June, 1980, increased its holdings in Giant from 925,225 shares to 1,275,555. Also it increased its holdings in Piper to 331,716 shares by the purchase of 131,716 shares.

Interest in Panarctic Oils Ltd. ('Panarctic')

On February 17, 1981, Panarctic, as Operator of the Panarctic AIEG PPC Dome Skate B-80 well, which is being drilled from an offshore ice platform 18kilometres northeast of Lougheed Island, drill stem tested on million cubic feet of gas from the interval 872.5 to 877.5 metres. The tests indicate a new gas discovery and the well will be continued to its planned depth of 2,000 metres. The participants in B-80 are the Arctic Island Exploration Group ('AIEG'), Suncor Inc., Phillips Petroleum Canada Ltd., Dome Petroleum Limited, Phoenix Resources Company and Global Arctic Islands Limited.

Other significant developments in 1980 related to Panarctic were the gas discoveries at the Panarctic AIEG Dome PPC Char G-07, Balaena D-58 and Panarctic AIEG Whitefish G-63 wells. Drill stem tests of three separate zones in Char G-07 flowed 8.2, 18.1 and 1.8 million cubic feet per day respectively. Balaena D-58 flow tested 3 million cubic feet per day and Whitefish G-63 drill stem tested 7.5 and 14.5 million cubic feet per day in the Isachsen and Awingak formations and the King Christian Sand production tested 44 million cubic feet per day with 13 to 17 barrels of condensate per million cubic feet. Panarctic holds a 6.6% interest in the G-07 and D-58 wells and the lands in which the Whitefish structure is situate.

AIEG which is a participant in the Skate, Char and Whitefish , is a group comprised of Esso Resources Canada Limited, Gulf Canada Resources Limited, Panarctic Oils Ltd. and Petro Canada Exploration Inc., formed to acquire a 60% interest in the holdings of Sun Oil Company and Global Arctic Island Ltd. in the Arctic Islands. Panarctic has a 22% interest in AIEG.

Another important Panarctic development was the announcement of the Arctic Pilot Project for the proposed shipment of liquified natural gas from Melville Island to eastern Canada. Two gas sales contracts, both subject to regulatory approval, are involved, one for the purchase of some two trillion cubic feet from the Drake field, and the other for the export to the United States of a volume of western Canadian gas equivalent to a volume of liquified Arctic gas to be regassified for sale in the eastern Canadian market.

The recently announced National Energy Program by the Federal government may well accelerate exploration activities on the Panarctic lands and in the area generally. Assuming a continuation of the current discovery success rate in the Panarctic area this could accelerate exploration that could result in the presently established Panarctic reserves being commercially viable at an earlier date than would otherwise have been anticipated.

The Company continues to hold 1,743,424 shares in Panarctic, being a 3.6% equity interest and also holds 85,252 warrants which entitles it, under certain conditions, to purchase an additional 170,504 shares for one dollar per share.

MINING ACTIVITIES

Mascot Gold Mines Limited (formerly Mascot Nickel Plate Mines Limited)

In April 1980, work was resumed at the Nickel Plate property on the program commenced in 1979, to reopen the extensive underground workings and explore the three known ore systems from which previous operators produced 1,448,460 ounces of gold. The work on this property near Hedley,British Columbia, which is owned by Mascot Gold Mines Limited ('Mascot Gold') formerly Mascot Nickel Plate Mines Limited, has been substantively financed by the Company from 1971 to September 30, 1980. At September 30, 1980, Mascot Gold was an 87.8% subsidiary of the Company. In December last, a public underwriting was done by Mascot Gold and one million shares were sold to net the treasury $1.4 million before expenses. The Company presently holds 61.7% of the 3,366,226 issued shares of Mascot Gold which were listed on the Vancouver Stock Exchange as at February 18th, 1981.

In a recent Mascot Gold announcement it was reported that the production haulageway from the Dixon shaft, which is adjacent to the Nickel Plate ore system, and the Bulldog haulageway to the Sunnyside ore system have been made accessible, and the Dixon shaft has been rehabilitated to No. 3 level. Also, that rehabilitation of the Dixon shaft and other workings is continuing in order to provide access to areas where there is known exploration potential and established reserves. Three diamond drills are operating on the property and 14 underground and 13 surface holes aggregating 2,228 feet have been drilled in the Sunnyside, which is one of several prospective areas for establishing reserves. Gold assays have been received on six of the Sunnyside underground holes and the results are as follows:

Hole No. 2453 — 42.6 ft. of 0.29 oz./t (including 10 ft. of 0.087 oz./t), No. 2460 — 56 ft. of 0.15 oz./t including 20 ft. of 0.35 oz./t), No. 2461 — 34 ft. of 0.09 oz./t, No. 2462 — 20 ft. of 0.16 oz./t, No. 2463 — 14 ft. of 0.14 oz./t and No. 2474 — 26 ft. of 0.71 oz./t. These holes were drilled in an area that was not fully tested by previous operators. As to the Sunnyside surface drilling, gold assays have only been received on three holes: No. 80/1 — 0 to 44 ft. of 0.26 oz./, No. 80/2—0 to 16 ft. of

0.39 oz./t and No. 80/4 — 93 to 101 ft. of 0.96 oz./t (this hole was stopped in mineralization with the last three feet assaying 1.62 oz./t.) Three of the thirteen holes — No.'s 80/3, 80/5 and 80/5A, were abandoned before reaching target depth and assays have not been received on the other seven. This area of mineralization is postulated to have a strike length of at least 350 feet and a width of some 40 feet. Underground diamond drilling has been commenced on the Nickel Plate ore system, 1500 feet northwest of the Sunnyside, where 259 character type stope wall chip samples taken by the Company along the north wall of the purple stope bed (one of seven formerly productive orebearing beds) as indicated near continuous mineralization along a dip length of 1400 feet grading some 0.17 ounces gold/ton over an average sample height of five feet.

Giant Copper and Other Properties

The 1980 program at the Giant Copper property near Hope, British Columbia, included the construction of a bridge across the Skagit River, relocation of several sections of the access road, the installation of a 22-man camp complex, diamond drilling and the rehabilitation of the 10-level adit on the AM Breccia Zone. Seven surface holes were drilled aggregating 3,778 feet. Of these, five were in the Invermay Breccia Zone and two in the Camp Breccia Zone, which lies midway between the Invermay and AM. The Invermay drilling, which was concentrated along the toe of the steep slope upon which the Invermay Zone outcrops, extended the continuity of the mineralization for some 400 feet. The results on the Invermay drilling were as follows: Holes 80/1, 968 ft. of 0.17% copper and 0.01 oz. gold/t; 80/2 — 245 ft. of 0.14% copper and 0.01 oz. gold/t; 80/3 — 170 ft. of 0.25% copper and 0.01 oz. gold/t; 80/4 — 300 ft. of 0.13% copper and 0.01 oz. gold/t and 80/5 — 57 ft. of 0.23% copper and 0.02 oz. gold/t. The two holes in the Camp Breccia zone, although only grading 0.05% copper over 203 feet in Hole 80/6 and 181 feet in Hole 80/7 were of interest as the breccia had similar characteristics to the main AM Breccia Zone and could be an extension of it.

The rehabilitation of the 10-level AM adit has been advanced for 1,770 feet and work is continuing with some 130 feet of unstable ground remaining to be retimbered. Once this adit has been made accessible, underground diamond drilling can be undertaken on, and above and below the adit level to further explore the potential for a large tonnage of 0.3 to 0.8% copper mineralization that has been geologically inferred. Also, this adit level will provide access to the 2,777,984 tons of drill-proven reserves grading, after dilution, 1.35% copper, 0.017 ounces gold per ton, 0.72 ounces silver per ton and 0.033% molybdenum disulfide, that were previously established.

The Company continues to maintain in good standing its other mineral properties and interests in British Columbia, including the former producing Giant Nickel, Motherlode Greyhound and Giant Soo mines.

FINANCIAL

The Company's net earnings for the fiscal year ended September 30, 1979, were $159, 465 after extraordinary items as compared to $4,312,845 for the 1979 fiscal year. The 1980 fiscal year,however is not truly comparable with that of 1979 by reason of the fact that in 1979 the Company was in receipt of income from the Production Interest which it sold in August 1979, for the balance of the interest it was entitled to receive thereunder over the remaining three years of its term. Furthermore the sale of the Production Interest resulted in recording substantial extraordinary gains in 1979.

As this Production Interest was charged by Section 82 Assignments under the "Bank Act" as security for the $10 million Income Debenture that was issued on November 14, 1978, it was a condition of the Bank, as holder of the Debenture, for the sale of the Production Interest, that substantially all of the proceeds of such sale would be lodged in interest-bearing Bank Certificates of Deposit, pending granting by the Company to the Bank of other acceptable Section 82 security, or until the due date for payment by the Company of installments of the Debenture. In the result, the Bank holds $4,760,000 of the proceeds in Certificates of Deposit. The outstanding balance of the Debenture at the end of the 1980 fiscal year was $7 million.

In March 1980, the Company completed a fixed price offering of 1,250,000 shares to the public in Ontario. Midland Doherty Limited ('Midland') acted as Agent for the Company on the offering, which netted $7,832,649 after deducting commissions and financing expenses. On the closing of the offering the Company repaid, out of the proceeds, short term loans and advances of $350,000 to its Banker and $1 million to Cemp Investments Ltd. ('Cemp'), the Company's principal shareholder. As to the balance of its indebtedness to Cemp of $1.5 million, Cemp agreed to repayment in three equal installments of $500,000 payable on January 1, 1981, 1982 and 1983. The January 1, 1981 payment has been made. In consideration of Cemp agreeing to revise the repayment terms of the Company's indebtedness to them and for the services rendered by Midland, the Company issued non-transferable share purchase warrants entitling each of them to subscribe for 50,000 shares of the Company at a price of $8 per share until March 31, 1982.

Consolidated Statements, subject to audit and year end adjustments, of Operations and Changes in Financial Position for the three months ended December 31, 1980, and, for purposes of comparison, for the same period last year are included with this report following the 1980 audit statements. The net earnings of $559,884 or $0.09 per share reflect increases in revenues from the sale of petroleum substances and the gain in equity value arising from the public offering by Mascot Gold of its treasury shares.

In the 1980 fiscal year the Company and Mascot Gold, which was then a private subsidiary, of the Company, paid salaries of $635,190 and made exploration, development and tangible expenditures of $4,980,506 as compared with $221,150 and $2,133,063 respectively in the 1979 fiscal year. As of September 30, 1980, the Company and Mascot Gold had 51 employees as compared to 20 on the same date in the previous year. In 1980, the Company marketed 743 million cubic feet of gas and 11,447 barrels of petroleum liquids.

In the past 12 months there have been increases in the price of petroleum and natural gas and further increases are scheduled in the coming year in Canada, and are anticipated in the United

States. The revenue, however, to the gas producers in Canada has been reduced by a new tax recently imposed by the Federal government and in the future the market for petroleum in Alberta is scheduled to be reduced by the Province. The markets for petroleum substances are good in most areas in the United States, whereas in Canada, sales of new gas are limited due to lack of domestic markets and export permits, but this may improve with the increased emphasis on the substitution of gas for oil. The Company as used throughout this report refers to GM Resources Limited, its wholly owned subsidiary, Mascot Mines & Petroleums Limited and its wholly owned American subsidiary GM Explorations Limited.

GENERAL

Since the end of the fiscal year one major change has taken place in the shareholders of the Company. HCI Holdings Ltd. of Toronto in October,1980, added to its investment position by exercising its option for 500,000 shares from Cemp Investments Ltd. of Montreal. H.C.I. consquently now have a 16% interest and Cemp a 30% interest in the Company

In February, 1981, the Company engaged M.F.K. (Mike) Carter C.A., as Executive Vice-President. Previously he was a senior officer of various companies based in Toronto. Mr. Carter will have responsibility for corporate planning, acquisitions and development.

February 18th, 1981.

L.P. Starck
President & Chief Executive Officer

Calgary, Alberta
December 5, 1980

AUDITOR'S REPORT

To the Members of
G M Resources Limited:

We have examined the consolidated balance sheet of G M Resources Limited as at September 30, 1980 and the consolidated statement of operations, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of the Company as at September 30, 1980 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Price Waterhouse & Co.

Chartered Accountants

GM RESOURCES LIMITED
CONSOLIDATED BALANCE SHEET

ASSETS

	September 30 1980	September 30 1979
Current assets:		
Cash and term deposits	$ 5,783,992	$ 1,878,750
Accounts receivable	234,239	255,079
Prepaid expenses and deposits	37,301	39,361
	6,055,532	2,173,190
Term deposits held for investment (Note 5)	2,760,000	4,760,000
Capital assets:		
Petroleum and natural gas properties and equipment at cost less accumulated depreciation and depletion of $1,722,501 (1979 — $1,273,848)	14,786,324	11,692,457
Mineral properties and equipment (Note 2)	6,086,564	4,737,856
	20,872,888	16,430,313
Investment in and advances to associated company, Giant Explorations Limited at equity	219,331	238,877
Investments in other companies (Note 3):		
Panarctic Oils Ltd.	15,253,057	15,253,057
Piper Petroleums Ltd.	1,365,148	970,000
	16,618,205	16,223,057
	$ 46,525,956	$ 39,825,437

LIABILITIES AND MEMBERS' EQUITY

	September 30	
	1980	1979
Current liabilities:		
Accounts payable and accrued liabilities	**$ 1,084,825**	$ 926,514
Current portion of long-term debt	**2,000,000**	1,500,000
Due to principal shareholder (Note 4)	**500,000**	1,500,000
	3,584,825	3,926,514
Long-term debt less current portion included above (Note 5)	**5,000,000**	7,000,000
Due to principal shareholder less current portion included above (Note 4)	**1,000,000**	—
Minority interest in subsidiary	**137,818**	87,724
Members' equity:		
Share capital (Note 6) —		
Authorized —		
10,000,000 common shares without par value		
Issued — 6,176,444 shares (1979 — 4,926,444)	**31,213,980**	23,381,331
Contributed surplus	**237,494**	237,494
Retained earnings	**5,351,839**	5,192,374
	36,803,313	28,811,199
	$ 46,525,956	$ 39,825,437

THESE CONSOLIDATED FINANCIAL STATEMENTS HAVE BEEN APPROVED BY THE BOARD OF DIRECTORS:

_________ Director

_________ Director

CONSOLIDATED STATEMENT OF OPERATIONS

	Year Ended September 30	
	1980	1979
Revenue:		
Petroleum and natural gas sales, net of royalties		
Production interest	$ —	$ 1,248,318
Other	1,197,062	1,349,265
Interest	1,243,048	213,109
Other	18,272	22,989
	2,458,382	2,833,681
Expenses:		
Operating	250,335	251,961
General and administrative	633,766	488,619
Interest on debt —		
Long-term	681,443	733,310
Principal shareholder	272,342	34,623
Depletion and depreciation	481,201	1,130,816
	2,319,087	2,639,329
Earnings before the following	139,295	194,352
Income Taxes:		
Current (Alberta Royalty Tax Credit)	(20,170)	(72,087)
Deferred	490,000	401,646
	469,830	329,559
Loss before extraordinary items	(330,535)	(135,207)
Extraordinary items:		
Gain on sale of production interest (net of deferred income taxes of $1,938,354)	—	2,108,052
Recovery of deferred income taxes	490,000	2,340,000
	490,000	4,448,052
Net earnings for the year	$ 159,465	$ 4,312,845
Net earnings (loss) per share:		
Earnings (loss) before extraordinary items	$ (.06)	$ (.02)
Extraordinary items	.09	90
Net earnings	$ .03	$ 88

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Year ended September 30	
	1980	**1979**
Financial resources were provided by:		
Operations -		
Loss before extraordinary items	**$ (330,535)**	$ (135,207)
Add: Charges not affecting working capital —		
Depletion and Depreciation	**481,201**	1,130,816
Deferred income taxes	**490,000**	401,646
Other	**22,828**	—
	663,494	1,397,255
Share capital issued	**7,832,649**	—
Proceeds from income debenture	—	10,000,000
Revised repayment terms on loan from principal shareholder	**1,000,000**	—
Proceeds from disposal of mineral holdings	**103,542**	579
Proceeds from disposal of production interest	—	6,747,245
Reduction in term deposits held for investment	**2,000,000**	—
	11,599,685	18,145,079
Financial resources were used for:		
Term deposits	—	4,760,000
Petroleum and natural gas properties and equipment	**3,512,180**	1,825,811
Mineral properties and equipment	**1,468,326**	307,252
Repayment of long-term debt and change in current portion	**2,000,000**	10,526,940
Increase in advances to associated company	—	17,637
Investment in Piper Petroleums Ltd.	**395,148**	970,000
	7,375,654	18,407,640
Increase (decrease) in working capital	**4,224,031**	(262,561)
Working capital (deficiency) at beginning of year	**(1,753,324)**	(1,490,763)
Working capital (deficiency) at end of year	**$ 2,470,707**	$ (1,753,324)

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

	Year ended September 30	
	1980	1979
Retained earnings at beginning of year	**$5,192,374**	$ 879,529
Net earnings for the year	**159,465**	4,312,845
Retained earnings at end of year	**$5,351,839**	$ 5,192,374

GM RESOURCES LIMITED

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 1980

1. ACCOUNTING POLICIES:

(a) Principles of consolidation —

The consolidated financial statements include the accounts of the Company and all of its subsidiaries, namely: Giant Mascot Explorations Limited, Mascot Mines & Petroleums Limited, G.V. Lloyd Exploration Ltd., Calgary International Energy Ltd. (in voluntary liquidation), GM Explorations Limited (U.S.), all of which are wholly-owned, and Mascot Gold Mines Limited (formerly Mascot Nickel Plate Mines Limited) in which the Company owns an 88% interest.

(b) Petroleum and natural gas properties and equipment —

The Company follows the full cost method of accounting for its petroleum and natural gas properties whereby all costs related to the exploration for and development of petroleum and natural gas reserves are initially capitalized. Such costs include land acquistion costs, geological and geophysical expenditures, rentals on undeveloped properties and costs of drilling both productive and non-productive wells. Depletion is calculated by the unit of production method based on the estimated proven reserves of petroleum and natural gas. Gains or losses on the disposal of properties are not recognized except under circumstances where there is a major disposal of reserves.

Depreciation of production equipment is being provided by the straight-line method at the rate of 10%.

(c) Mineral properties and equipment —

Expenditures are capitalized on properties which are held for exploration and development and are not operating, and accordingly no depreciation or amortization is being provided. When key mineral holdings are abandoned or options dropped, the related costs are written off against earnings in that year.

(d) Translation of foreign currencies —

Foreign currency balances included in the consolidated financial statements have been expressed in Canadian dollars on the following basis:

Current assets and liabilities — at year end rates of exchange

Other assets and liabilities — at historical rates of exchange

Income and expenses — at monthly rates of exchange except for provisions for depletion and depreciation which are translated on the same basis as the related assets

Gains or losses, which have not been significant, are included in income.

2. MINERAL PROPERTIES AND EQUIPMENT:

Mineral properties and equipment are carried at cost less amounts written off. During the year ended September 30, 1980 the Company carried out exploration programs on certain of the mineral holdings. In the opinion of management the net realizable value of the Company's mineral holdings exceeds the amount at which such interests are carried in the accounts.

3. INVESTMENT IN OTHER COMPANIES:

The Company's investment in Panarctic Oils Ltd. ("Panarctic") consists of 1,743,424 shares and 85,252 warrants which entitle the Company to purchase an additional 170,504 shares of Panarctic at a price of $1 per share which may be paid by the incurring of exploration expenditures. Such warrants are exercisable during the five years commencing either on January 1, 1981, or the first of January in the year next following the initial delivery of petroleum substances from Panarctic lands, whichever is the later, and expire in any event on January 1, 1991.

Panarctic, at present, is in the exploratory stage, and accordingly, as its most recent published financial statements indicate, all its costs and expenses have been capitalized and it is deemed to have earned no profit and sustained no loss to December 31, 1979. The shares of Panarctic are closely held and their transfer is subject to restrictions.

The Company's investment in Piper Petroleums Ltd. ("Piper") had a quoted market value at September 30, 1980, of $1,600,000. During the year the Company purchased 65,858 additional shares for $395,148. In accordance with the terms of the purchase agreement, the Company purchased a further 65,858 shares of Piper in January, 1981 for a consideration of $6.00 per share.

4. DUE TO PRINCIPAL SHAREHOLDER:

The amount due to the principal shareholder, Cemp Investments Ltd., is unsecured and is evidenced by promissory notes bearing interest at a Canadian chartered bank's prime lending rate plus 1/2%.

The principal amount of the loan is repayable on January 1st of each of the following years:

1981 – $500,000
1982 – $500,000
1983 – $500,000

5. LONG-TERM DEBT:

Long-term debt consists of an income debenture issued to a Canadian chartered bank which bears interest at the bank's prime lending rate plus 1½% all divided by two. The debenture is secured by an assignment of the Company's petroleum and natural gas properties and contains provisions which restrict the disposition or encumbrance of such properties. No deduction is allowed under the Income Tax Act for interest paid on the income debenture.

The use of the term deposits held for investment is restricted to additional investment in producing petroleum and natural gas properties which will then be pledged as further security for the income debenture or repayment thereof.

The principal amount of the income debenture is repayable on September 30 of each of the following years:

1981 – $2,000,000
1982 – $2,500,000
1983 – $2,500,000

6. SHARE CAPITAL:

(a) Of the authorized but unissued common shares, 250,000 were reserved at September 30, 1980 for options granted or to be granted under the employees' stock option plan. At September 30, 1980 options on 160,000 shares were outstanding at prices of $3.61 and $5.63 per share of which 25,000 expire March 31, 1982 and 135,000 expire March 18, 1983. No options were exercised during the year ended September 30, 1980.

(b) During the year the Company issued 1,250,000 common shares by means of a fixed price offering on the floor of the Toronto Stock Exchange for a cash consideration, net of related expenses, of $7,832,649. As part consideration for its services, the underwriter received non-transferable share purchase warrants entitling it to purchase 50,000 common shares of the Company at a price of $8.00 per share. The warrants expire on March 31, 1982.

(c) As consideration for revising the repayment terms of the Company's indebtedness to it, the Company's principal shareholder received non-transferable share purchase warrants entitling it to purchase 50,000 common shares of the Company at $8.00 per share. The warrants expire March 31, 1982.

7. INCOME TAXES:

In fiscal 1980 total tax expense recorded in the financial statements amounted to $469,830 which is greater than an amount of $65,469 computed by applying the Canadian corporate tax rate of 47 per cent to income before provision for income taxes. The tax effect of these differences are accounted for as follows:

	September 30 1980	1979
Computed income tax expense	$65,469	$91,345
Add (deduct):		
Crown charges disallowed for tax purposes	95,806	237,747
Resource profits rate reductions	(82,422)	(314,052)
Alberta Royalty Tax Credit	(20,170)	(72,087)
Non-deductible interest on income debenture	317,846	279,777
Other	93,301	106,829
Tax expense reflected in the accounts	$469,830	$329,559

At September 30, 1980, the Company and its Canadian subsidiaries had capital cost allowances and exploration and development expenditures available for tax purposes in excess of the related net book value of such expenditures for accounting purposes in the amount of approximately $1,813,000. No provision has been made in the accounts for possible future tax benefits which may arise from this item.

In addition a U.S. subsidiary has a tax loss carried forward of approximately $2,950,000 of which $82,000 expires in 1985, $1,131,000 in 1986 and $1,737,000 in 1987. The tax loss equals the amount by which the book value of the capital assets exceed their tax value.

The Companies also have earned depletion available for tax purposes in the approximate amount of $6,174,000 at September 30, 1980. Deductions for earned depletion are limited to 25% of production profits.

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS:

Total direct remuneration paid to the Company's directors and senior officers (including not only officers as such, but also by statutory definition, certain management and other personnel) was $274,926 (1979 – $152,400). No such remuneration was paid by the Company's subsidiaries.

9. SUBSEQUENT EVENTS:

(a) **Proposed amalgamation –**

An amalgamation agreement has been entered into by Giant Explorations Limited, in which the Company has a 20% interest, and Piper Petroleums Ltd., in which the Company has a 6% interest, subject to approval of the regulatory authorities and the shareholders of both companies. On completion of the amalgamation G M Resources Limited will own 11% of the amalgamated company.

(b) **Mascot Gold Mines Limited –**

In November 1980 Mascot Gold Mines Limited ("Mascot"), completed a public offering for $1,400,000. As a result of the issue, the Company's percentage interest in Mascot decreased from 88% to 62%.

10. SEGMENTED INFORMATION:

	Revenue	Depreciation and depletion	Operating income	Assets	Capital Expenditures
Industry Segments:					
Oil and gas	$1,197,062	$464,254	$482,473	$31,590,962	$3,512,180
Mining			—	6,103,565	1,468,326
	1,197,062	464,254	482,473	37,694,527	4,980,506
General corporate	[illegible]	16,947	(632,441)	8,831,429	–
Interest	1,243,048	—	289,263	—	–
	$2,458,382	$481, 201	$139,295	$46,525,956	$4,980,506

	Revenue	Operating income	Assets
Geographic areas:			
Canada	$1,147,630	$ 582,073	$34,071,604
United States	49,432	(99,600)	3,622,923
	1,197,062	482,473	37,694,527
General corporate	18,272	(632,441)	8,831,429
Interest	1,243,048	289,263	
	$2,458,382	$139,295	$46,525,956

GM RESOURCES LIMITED

INTERIM REPORT — FIRST QUARTER 1981
CONSOLIDATED STATEMENT OF OPERATIONS

	Three month period ended December 31	
	1980	**1979**
Revenue:		
Petroleum and natural gas sales, net of royalties	$ **406,820**	$ 331,900
Interest	**197,312**	211,557
Other	**9,366**	9,712
	613,498	553,169
Expenses:		
Operating	**105,961**	60,165
General and administrative	**156,135**	128,775
Interest on debt — Long-term	**139,786**	172,125
— Principal shareholder	**56,373**	71,479
Depletion and depreciation	**107,264**	120,426
	565,519	552,970
Earnings before the following	**47,979**	199
Income taxes:		
Current (Alberta Royalty Tax Credit)	**(890)**	(7,360)
Deferred	**85,000**	117,500
	84,110	110,140
Loss before extraordinary items	**(36,131)**	(109,941)
Extraordinary items:		
Recovery of deferred income taxes	**85,000**	117,500
Gain on sale of shares of subsidiary	**511,015**	—
	596,015	117,500
Net earnings for the period	$ **559,884**	$ 7,559
Net earnings for the period per share:		
Earnings before extraordinary item	$ **(.01)**	$ (.02)
Extraordinary item	**.10**	.02
Net earnings	$ **.09**	$ —

THE ABOVE FIGURES ARE UNAUDITED AND
ARE SUBJECT TO YEAR END ADJUSTMENTS

GM RESOURCES LIMITED

INTERIM REPORT — FIRST QUARTER 1981

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

	Three month period ended December 31 1980	Three month period ended December 31 1979
Financial resources were provided by:		
Operations -		
Loss before extraordinary items	$ (36,131)	$ (109,941)
Add: Charges not affecting working capital —		
Depletion and depreciation	107,264	120,426
Deferred income taxes	85,000	117,500
	156,133	127,985
Proceeds from sale of shares in subsidiary	1,306,000	—
Proceeds from disposal of mineral holdings	—	46,136
	1,462,133	174,121
Financial resources were used for:		
Petroleum and natural gas properties and equipment	919,841	563,283
Mineral holdings	452,662	232,245
Increase in advances to associated company	6,328	2,340
	1,378,831	797,868
Increase (decrease) in working capital	83,302	(623,747)
Working capital (deficiency) at beginning of period	2,470,707	(1,753,324)
Working capital (deficiency) at end of period	$ 2,554,009	$ (2,377,071)

THE ABOVE FIGURES ARE UNAUDITED AND ARE SUBJECT TO YEAR END ADJUSTMENTS

GM RESOURCES LIMITED

Incorporated under the Laws of the Province of British Columbia

THIRTIETH ANNUAL REPORT

DIRECTORS

The Honorable Jack Austin, Q.C., *Vancouver*
H.N. Borts, *Montreal*
F.P. Cundill, *Vancouver**
J.L. Gibson, *Vancouver**
J.D. Raymond, *Montreal*
A.M. Ludwick, *Montreal**
L.P. Starck, *Calgary*
A. Sarlos, Toronto
B. Zukerman, *Toronto**

OFFICERS

The Honorable Jack Austin, Q.C. *Chairman*
L.P. Starck, *President and Chief Executive Officer*
A.H. Ainsworth, *Secretary and General Counsel*

REGISTERED AND RECORDS OFFICE
Suite 2260, Toronto-Dominion Bank Tower,
Pacific Centre, 700 West Georgia Street, Vancouver, B.C. V7Y 1A9

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Suite 310, Place 800
800 Sixth Avenue S.W.
Calgary, Alberta T2P 3G3

MINING DIVISION OFFICE
Suite 900
837 West Hastings Street
Vancouver, B.C. V6C 1B6

REGISTRAR AND TRANSFER AGENTS
Canada Permanent Trust Company,
Calgary, Montreal, Toronto, Vancouver

SOLICITORS
Ainsworth & Company, Vancouver

AUDITORS
Price Waterhouse & Co., Calgary

Listed on the Toronto and Vancouver Stock Exchanges

*Audit Committee